

ZIMBABWE

THE 2027 FISCAL RISK STATEMENT

19 November 2026

TABLE OF CONTENTS

INTRODUCTION 6

MACROECONOMIC RISKS AND FISCAL SENSITIVITY 6

Budget Sensitivity to Changes in Key Macroeconomic Variables 7

a) Real GDP growth (lower by 1%) 7

b) Impact of Extreme El Niño Shock: Lower Agricultural Output and Increased Government Expenditure 9

c) Commodity Price Shock: Decline in International Mineral Prices 12

Mitigation Measures 15

OTHER RISKS 17

Public Debt Sustainability 17

Refinancing Risk 18

Mitigation Measures 20

Government Guarantees 21

Mitigation measures 22

Public-Private Partnerships (PPPs) 22

Mitigation Measures 23

State-Owned Enterprises (SOEs) 24

Mitigation Measures 25

CONCLUSION 26

LIST OF FIGURES

Figure 1: Real GDP Shock 8
Figure 2: Real GDP Shock 9
Figure 3: Worsening El Niño Shock 1 10
Figure 4: Worsening El Niño Shock 2 11
Figure 5: Worsening El Niño Shock 3 13
Figure 6: Worsening El Niño Shock 4 13
Figure 7: Worsening El Niño Shock 5 14
Figure 8: Debt Sustainability 18
Figure 9: Maturity Profile - US$-denominated Treasury Bonds Pre-restructuring 19
Figure 10: Maturity Profile - US$-denominated Treasury Bonds Post-restructuring 20

LIST OF TABLES

Table 1: 2027 Baseline at a Glance 7
Table 2: Summary of Budget Sensitivity to Changes in Key Macroeconomic Variables 15
Table 3: Guarantees Presenting Elevated Fiscal Risks 21
Table 4: Summary of the PPP Project Pipeline 23
Table 5: SOE Risk Ratings (2025) 25

EXECUTIVE SUMMARY

The 2027 Fiscal Risk Statement assesses the principal risks that could cause fiscal outcomes to deviate from the projections underpinning the 2027 National Budget. It identifies macroeconomic, debt-related, contingent liability, climate-related and institutional risks, together with measures being implemented to mitigate their potential impact. The Statement reinforces Government's commitment to fiscal transparency, accountability and prudent management of public resources in support of the implementation of the National Development Strategy 2 (NDS2) towards the attainment of Vision 2030.

The 2027 National Budget is anchored on macroeconomic stability, fiscal discipline and structural reforms. Real GDP growth is projected at 3.5%, while average annual inflation is projected at 4.9%. Revenue and expenditure are projected at 18.1% and 18.6% of GDP, respectively, resulting in a fiscal deficit of 0.5% of GDP. Notwithstanding the projected fiscal position, the outlook remains susceptible to domestic and external shocks, which could undermine revenue performance, increase expenditure pressures and affect public debt sustainability.

Historical budget performance highlights the challenges associated with revenue forecasting and expenditure management, with both revenue shortfalls and expenditure overruns experienced. Government is, therefore, strengthening revenue forecasting, expenditure prioritisation, cash-flow planning and commitment controls to improve budget credibility and contain fiscal pressures.

Macroeconomic risks remain significant, particularly those arising from climate shocks, international mineral price volatility and changes in global economic conditions. Sensitivity analysis indicates that a one-percentage-point reduction in real GDP growth could widen the fiscal deficit from 0.5% to 0.6% of GDP. Under a severe El Niño scenario, involving an 18% contraction in agricultural output, economic growth could decline to 2.0%, with the fiscal deficit widening to 1.2% of GDP. Similarly, a 15% decline in mineral prices could reduce Government revenue by approximately 1.0% of GDP, increasing the fiscal deficit to 1.5% of GDP and the public debt-to-GDP ratio from 34.7% to 35.7%. These risks underscore the need to strengthen economic diversification, domestic revenue mobilisation and fiscal buffers.

Public debt sustainability and refinancing pressures remain major fiscal vulnerabilities. The debt sustainability assessment indicates that public debt remains in distress, characterised by elevated debt-

servicing obligations and constrained access to affordable external financing. Government is pursuing debt reprofiling measures to smoothen repayment obligations and implementing the Arrears Clearance and Debt Resolution Process to restore debt sustainability and facilitate access to concessional financing.

Contingent liabilities arising from Government guarantees, Public-Private Partnerships (PPPs), public pension obligations and State-Owned Enterprises (SOEs) also present potential fiscal pressures. Outstanding Government guarantees amounted to approximately US$122.8 million and ZiG2.6 million as at end-September 2026, while the PPP project pipeline increased from US$3.63 billion in 2025 to US$6.57 billion in 2026. In addition, annual pension payments are projected to increase from US$396.5 million in 2026 to US$425.9 million in 2027. Financial and operational weaknesses among some SOEs further expose Government to potential requests for financial support and debt assumption. Government is strengthening the monitoring of guarantees and PPP commitments, undertaking actuarial assessments of pension obligations and implementing SOE reforms to minimise the crystallisation of contingent liabilities.

Climate-related risks, particularly the potential occurrence of severe El Niño conditions during the 2026/27 agricultural season, could adversely affect agricultural production, food security, hydropower generation and overall economic activity. Under a severe El Niño scenario, agricultural output is projected to contract by 18%, resulting in a moderation of economic growth to 2.0% and a widening of the fiscal deficit to 1.2% of GDP. To mitigate these risks, Government is implementing climate resilience and drought preparedness measures, including irrigation development, strengthening strategic grain reserves, promoting climate-smart agriculture, protecting livestock and enhancing early-warning systems. These interventions are aimed at safeguarding agricultural production, strengthening food security and minimising the potential fiscal impact of climate-related shocks.

Overall, the 2027 fiscal outlook remains broadly stable, supported by fiscal consolidation, domestic revenue mobilisation and prudent expenditure management. However, the materialisation of identified risks could undermine the projected fiscal position and constrain resources available for priority development programmes. Government will continue to strengthen fiscal risk identification, assessment, monitoring and mitigation, while maintaining fiscal discipline and prioritising expenditure towards critical economic and social programmes. These efforts are essential for safeguarding macroeconomic stability,

preserving fiscal sustainability and supporting the successful implementation of NDS2 towards Vision 2030.

INTRODUCTION

1. The Government places macroeconomic stability and fiscal sustainability at the centre of the National Development Agenda. Accordingly, the Fiscal Risk Statement (FRS) hereinafter is prepared as an integral component of the budget documentation to identify, assess, and disclose material risks that could cause fiscal outcomes to diverge from the approved 2027 National Budget. The Statement promotes informed fiscal decision-making through a systematic assessment of fiscal risks and the measures available to manage them, while strengthening transparency, accountability and enhancing the resilience of public finances.

2. Fiscal risks may cause deviations in public revenue, expenditure, financing, assets or liabilities from the levels anticipated in the 2027 National Budget. Such deviations arise from macroeconomic shocks, explicit or implicit fiscal obligations, institutional weaknesses, or the materialisation of contingent liabilities.

3. The 2027 FRS supports the stabilisation agenda by systematically identifying, assessing and disclosing the key fiscal risks that could undermine budget implementation, while outlining measures to mitigate their potential impact and safeguard fiscal sustainability.

MACROECONOMIC RISKS AND FISCAL SENSITIVITY

4. The credibility and resilience of the 2027 National Budget is anchored not only on the central macroeconomic and fiscal forecasts, but also on the ability to identify and manage macroeconomic risks. The 2027 economic outlook remains subject to uncertainties arising from geopolitical tensions, possible commodity-price volatility, shifts in trade policy, changing global financial conditions, and climate-related and domestic macroeconomic shocks. The 2027 macro-fiscal framework envisages real GDP growth of 3.5 %, annual average ZiG inflation of 4.9% and a stable exchange rate.

Table 1: 2027 Baseline at a Glance

Indicator	2026 f	2027 f	Comment
Real GDP growth (%)	5.0	3.5	Moderation reflects weaker agriculture output
Average inflation (%)	3.9	4.9	Low single-digit baseline.
Revenue (% GDP)	16.4	18.1	Revenue effort remains central to the fiscal path.
Expenditure (% GDP)	16.6	18.6	Higher capital and recurrent spending in 2027.
Overall balance (% GDP)	-0.2	-0.5	Modest fiscal deficit.
Public debt (% GDP)	36.5	34.7	Framework baseline declines with the assumed fiscal path.

Source: MoF, ZIMSTAT, RBZ

5. The materialisation of these risks could affect the domestic economy through higher fuel, food and fertiliser costs, weaker remittance inflows and A sharp reversal in commodity prices could further undermine export performance, exchange rate stability and economic activity. Deviations from the assumptions underpinning the Budget constitute material fiscal risks that could reduce Government revenue, increase expenditure and financing pressures, worsen the fiscal position, and raise public debt above the levels projected in the 2027 Budget.

Budget Sensitivity to Changes in Key Macroeconomic Variables

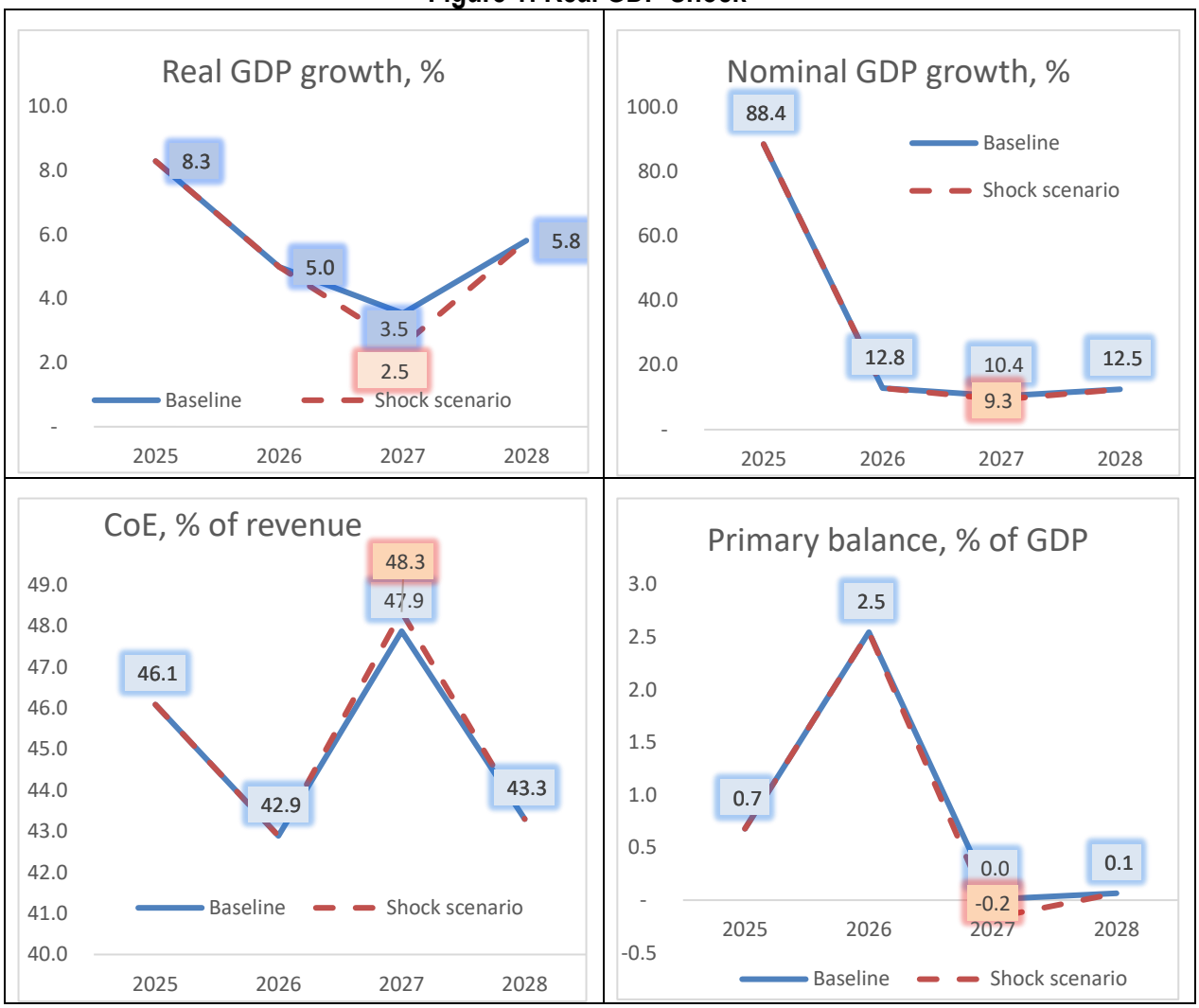
6. The following estimates illustrate the potential impact of changes in selected macroeconomic variables on the 2027 National Budget, using the macro-fiscal framework and historical evidence.

a) Real GDP growth (lower by 1%)

7. A reduction in real GDP growth of 1 percentage point in 2027, from 3.5% to 2.5%, would weaken economic activity and adversely affect fiscal performance. Nominal GDP would decline from ZiG1,931.3 billion to ZiG1,912.7 billion.

8. The lower growth rate would also result in a reduction in revenue collections from ZiG349.5 billion (US$12.5 billion) to ZiG346.2 billion (US$12.4 billion), representing a decline of approximately ZiG3.3 billion (US$118 million). Assuming total expenditure remains unchanged, the overall fiscal deficit would widen by a corresponding amount, from 0.5% of GDP to 0.6% of GDP. Similarly, the primary balance would deteriorate from a surplus of ZiG162 million to a deficit of ZiG3.2 billion.

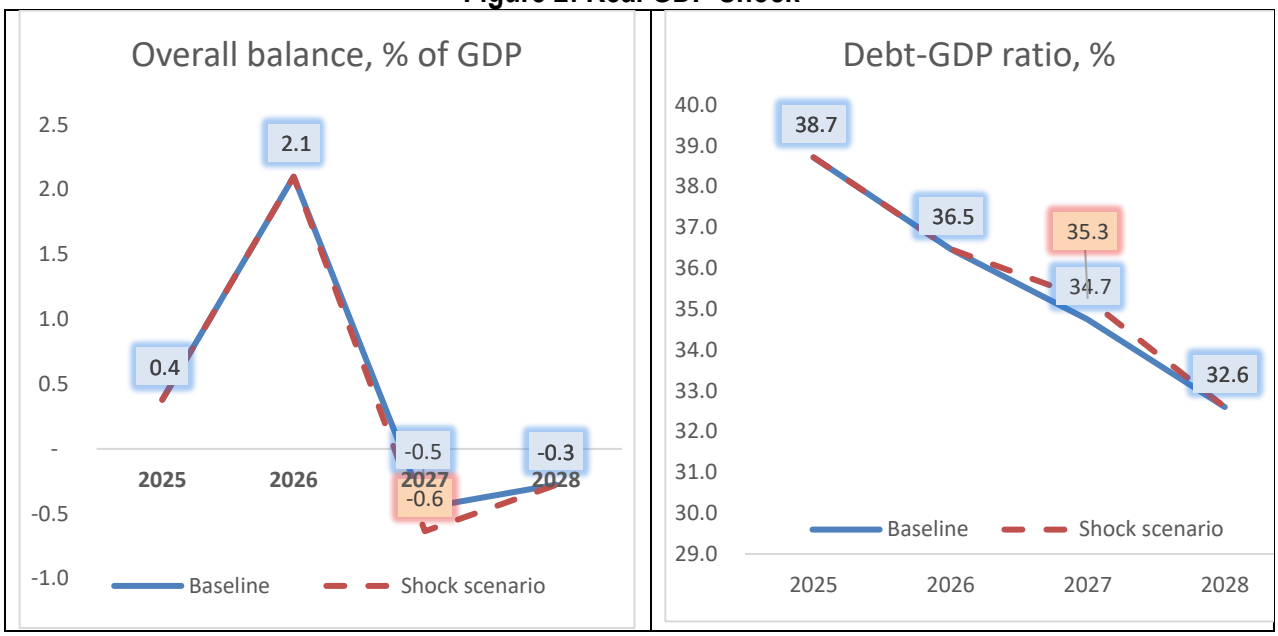
Figure 1: Real GDP Shock



Source: MoF, 2026

9. The weaker economic performance would also affect the public debt outlook. Public debt would worsen as a percentage of GDP from 34.7% to 35.3%. This reflects the combined effect of a higher projected debt stock and a lower GDP.

Figure 2: Real GDP Shock



Source: MoF, 2026

10. The external sector would also experience a deterioration. Exports would decline by approximately ZiG4.2 billion (US$151.6 million), from ZiG438.2 billion (US$15.7 billion) to ZiG433.9 billion (US$15.6 billion), reflecting the slowdown in economic activity. Imports could also decline, albeit by a relatively smaller amount of ZiG4.1 billion (US$146 million), from ZiG428.2 billion (US$15.3 billion) to ZiG424.1 billion (US$15.2 billion). Consequently, the current account surplus would narrow from ZiG94.2 billion (US$3.4 billion) to ZiG93.3 billion (US$3.3 billion), reflecting the relatively larger decline in export earnings.

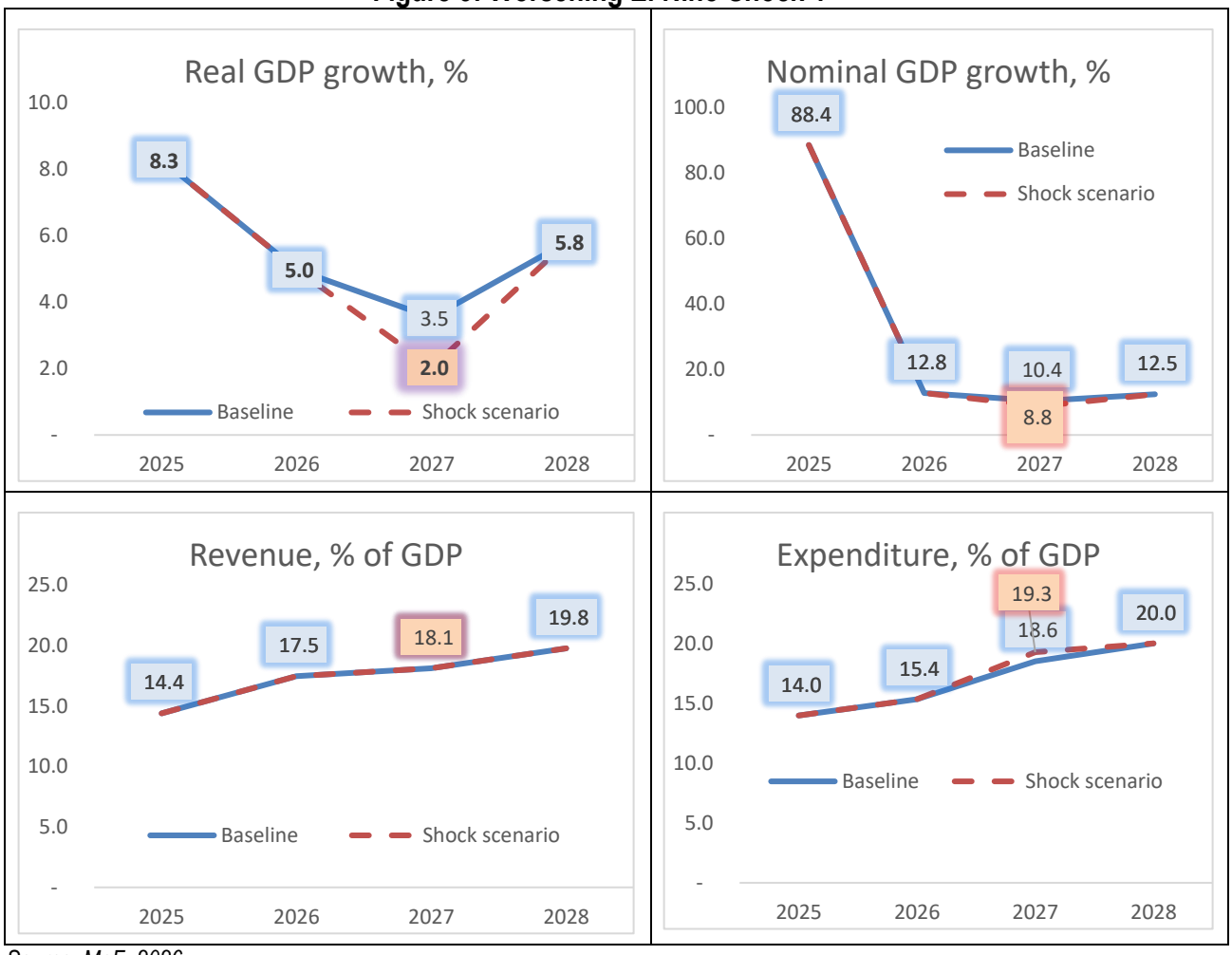
11. Overall, the scenario demonstrates that a 1% reduction in real GDP growth could weaken revenue mobilisation, worsen the fiscal position and increase the public debt-to-GDP ratio. The resulting slowdown in economic activity would also adversely affect external sector performance through lower exports, ultimately narrowing the current account surplus. These results underscore the importance of sustaining economic growth to support domestic revenue mobilisation, maintain fiscal stability and safeguard public debt sustainability.

b) Impact of Extreme El Niño Shock: Lower Agricultural Output and Increased Government Expenditure

12. The scenario assumes a deterioration in agricultural output to levels experienced during the 2023/24 drought, with the agriculture sector contracting by 18%. Consequently, real GDP growth in 2027 would

decline to approximately 2.0%, from 3.5% under the baseline scenario. Nominal GDP would decline from ZiG1,931.3 billion (US$69.2 billion) to ZiG1,903.3 billion (US$68.2 billion). The resulting deterioration in household livelihoods and food security would increase the need for Government intervention through social safety nets and other relief measures. On the expenditure side, total Government expenditure would increase from ZiG358.3 billion (US$12.8 billion) under the baseline to ZiG367.6 billion (US$13.2 billion) under the shock scenario, an increase of ZiG9.3 billion (US$333.2 million), equivalent to approximately 0.5% of GDP.

Figure 3: Worsening El Niño Shock 1

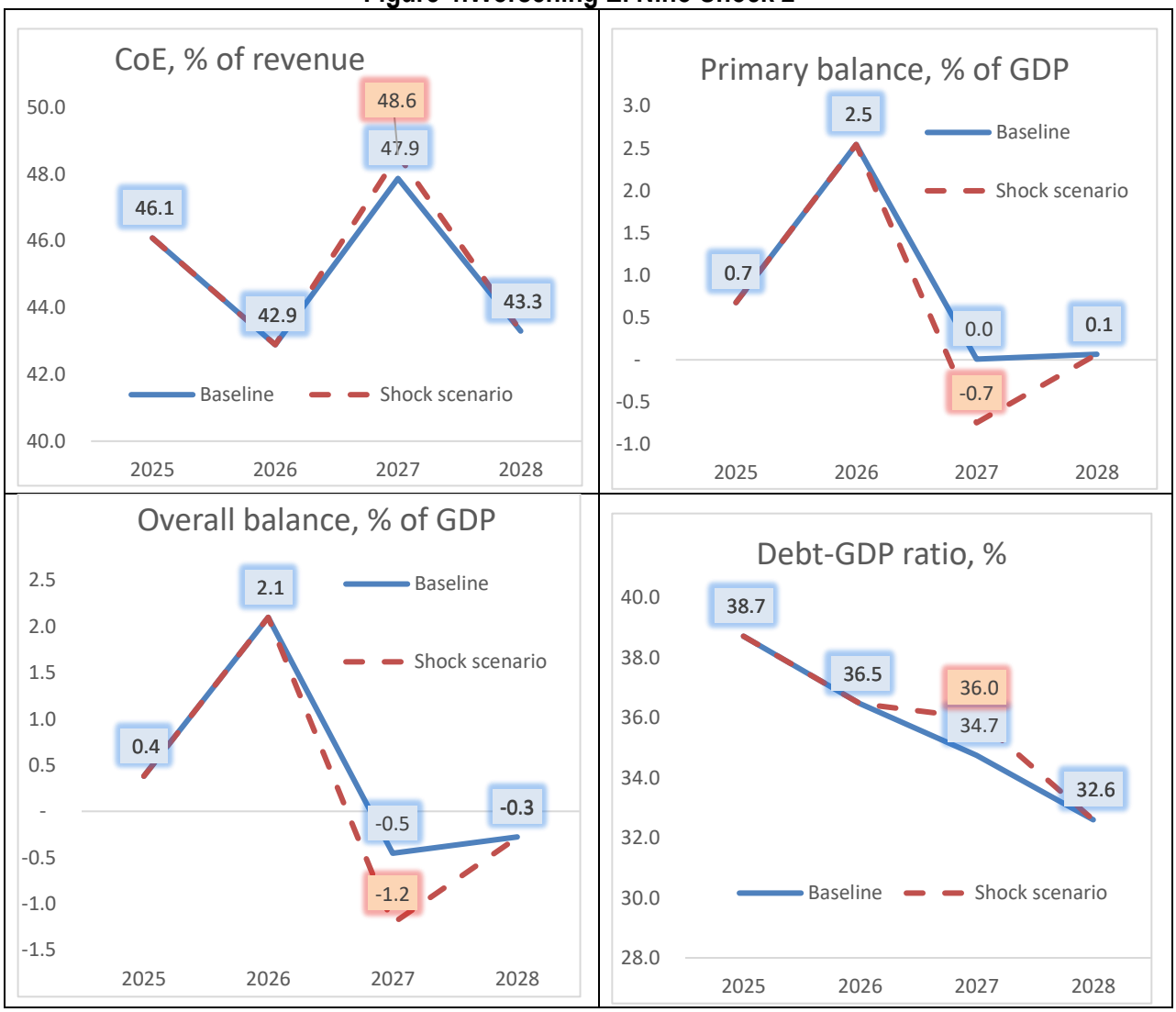


Source: MoF, 2026

13. Revenue would decline from ZiG349.5 billion (US$12.5 billion) under the baseline to ZiG344.5 billion (US$12.3 billion) under the shock scenario. The combined effect of lower revenue and higher expenditure would result in the deterioration of the overall fiscal balance. Consequently, the fiscal deficit would widen

from ZiG8.8 billion (US$313.9 million), equivalent to 0.5% of GDP, to ZiG23.1 billion (US$827.7 million), equivalent to 1.2% of GDP, representing a deterioration of approximately ZiG14.3 billion (US$512.4 million), or 0.7% of GDP.

Figure 4:Worsening El Niño Shock 2



Source: MoF, 2026

14. The primary balance would also weaken from a surplus of ZiG162 million (US$5.8 million) under the baseline to a deficit of ZiG14.2 billion (US$508.8 million) under the shock scenario. The public debt-to-GDP ratio would increase from 34.7% to 36.0%, an increase of approximately 1.2 percentage points. This reflects the combined effects of a higher debt stock and a lower GDP level, highlighting the potential implications of climate-related fiscal pressures for public debt sustainability.

15. The external sector would also weaken under the shock scenario. Exports would decline from ZiG438.2 billion (US$15.7 billion) under the baseline to ZiG431.8 billion (US$15.5 billion), while imports would decrease from ZiG428.2 billion (US$15.3 billion) to ZiG422.0 billion (US$15.1 billion). Consequently, the current account surplus would narrow from ZiG94.2 billion (US$3.4 billion) to ZiG92.8 billion (US$3.3 billion), reflecting the impact of weaker economic activity on external sector performance.

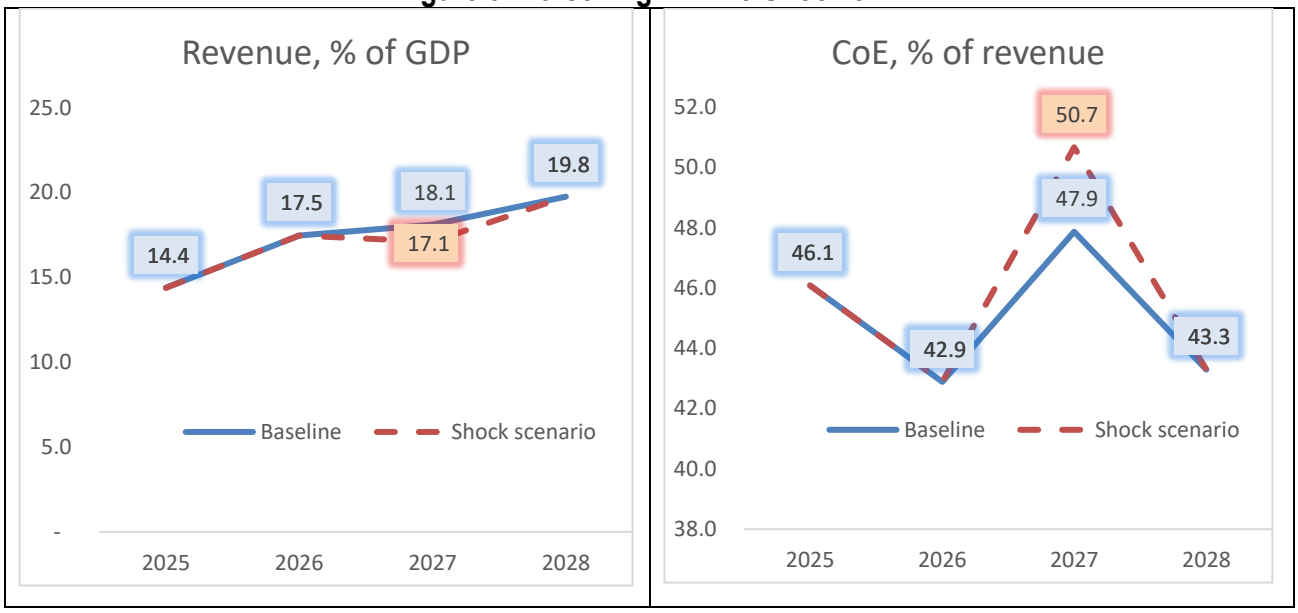
16. The scenario illustrates the potential fiscal consequences of lower-than-anticipated agricultural output. Real GDP growth slows to approximately 2.0%, revenue collection declines, and Government faces additional expenditure requirements to respond to worsening household livelihoods and food insecurity. The resulting widening of the fiscal deficit and increase in the public debt-to-GDP ratio highlight the importance of maintaining adequate fiscal buffers and targeting support to households affected by climate-related shocks.

c) Commodity Price Shock: Decline in International Mineral Prices

17. The scenario assumes a 15% decline in international mineral prices, particularly gold, reflecting downside risks arising from volatility in global commodity markets. Given the mining sector's significant contribution to export earnings and domestic revenue mobilisation, lower mineral prices could weaken mining sector earnings, reduce profitability and adversely affect Government revenue.

18. The results indicate that total Government revenue would decline from ZiG349.5 billion (US$12.5 billion), equivalent to 18.1% of GDP, to ZiG330.2 billion (US$11.8 billion), equivalent to 17.1% of GDP. This represents a reduction of approximately ZiG19.3 billion (US$692 million), equivalent to 1% of GDP, while expenditure commitments remain unchanged.

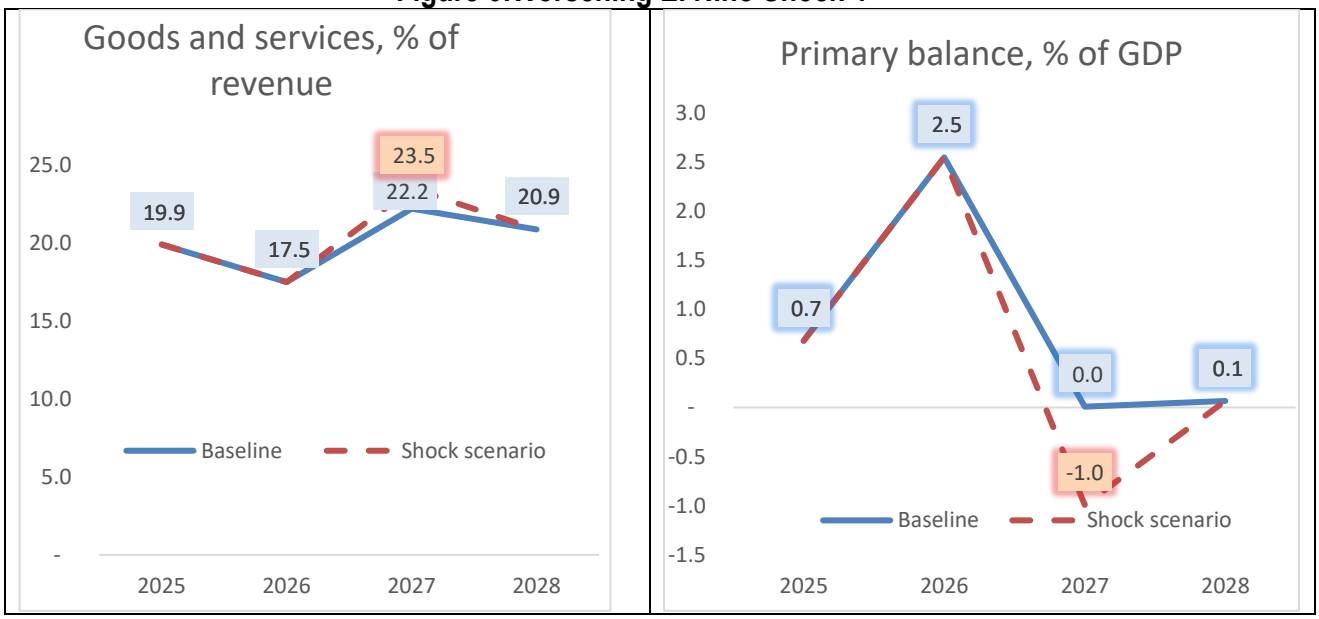
Figure 5:Worsening El Niño Shock 3



Source: MoF, 2026

19. The lower revenue base would increase the share of revenue absorbed by recurrent expenditure. The compensation of employees-to-revenue ratio would rise from 47.9% to 50.7%, against an unchanged wage bill of ZiG167.3 billion (US$6.0 billion). Similarly, the goods and services-to-revenue ratio would increase from 22.2% to 23.5%. The interest payments-to-revenue ratio would also increase from 2.6% to 2.7%, with interest payments amounting to ZiG8.9 billion (US$320 million).

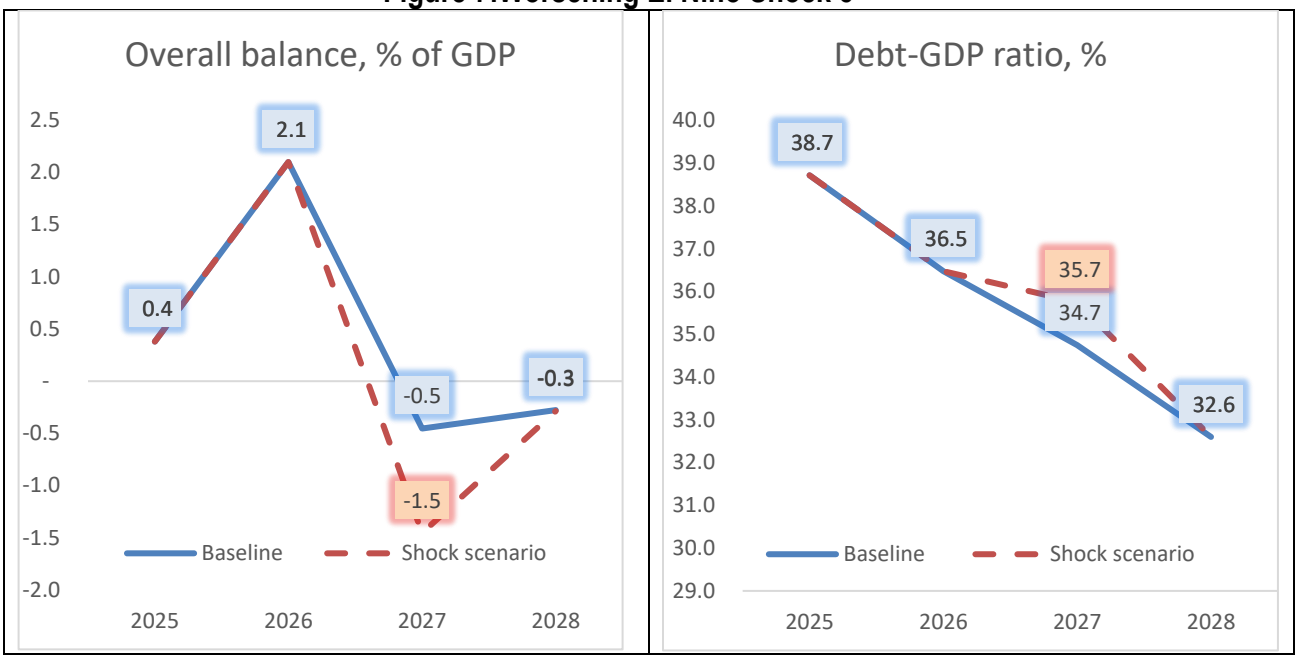
Figure 6:Worsening El Niño Shock 4



Source: MoF, 2026

20. Consequently, the overall fiscal deficit would widen from ZiG8.8 billion (US$314 million), or 0.5% of GDP, to ZiG28.1 billion (US$1.0 billion), or 1.5% of GDP, assuming expenditure remains at ZiG358.3 billion (US$12.8 billion). The primary balance would deteriorate from a marginal surplus of ZiG162 million (US$5.8 million) to a deficit of ZiG19.2 billion (US$686 million), equivalent to 1.0% of GDP.

Figure 7:Worsening El Niño Shock 5



Source: MoF, 2026

21. The additional financing requirement would also increase public debt from ZiG671.1 billion (US$24.1 billion) to ZiG690.4 billion (US$24.7 billion), raising the debt-to-GDP ratio from 34.7% to 35.7%.

22. Overall, the scenario highlights the potential fiscal vulnerability arising from a 15% softening in mineral prices. Lower revenue collections would widen the fiscal deficit, weaken the primary balance, increase the proportion of revenue absorbed by recurrent expenditure and raise the public debt burden. This underscores the importance of diversifying revenue sources, broadening the domestic tax base and prudently managing mineral-related revenues.

Table 2: Summary of Budget Sensitivity to Changes in Key Macroeconomic Variables

Variable / Shock	Illustrative Fiscal Effect	Main Transmission Channel	Interpretation for 2027	Risk Level
Gold/mineral prices: 25.0% gold-price correction	IMF estimate: GDP growth declines by approximately 1.5 %age points and the overall fiscal deficit increases by approximately 0.4% of GDP relative to the 2026 position.	Lower export earnings, mining profitability, royalties, corporate taxes and foreign-currency inflows.	A sustained mineral-price decline could weaken economic activity, revenue collections and external financing conditions in 2027.	High
International oil prices: 20.0% increase	Applying a 20.0% increase to Zimbabwe's reported 2025 fuel import bill of US$1.86 billion results in an illustrative additional import cost of US$372.0 million, increasing the bill to US$2.232 billion.	A sustained increase in international oil prices could raise foreign-currency requirements for fuel imports and increase domestic transport and production costs. The continued suspension of fuel levies, as a tax expenditure, would also result in revenue foregone, thereby adding to fiscal pressures.	A sustained oil-price shock could increase the foreign-currency requirements for fuel imports and raise domestic transport and production costs and continue loss on fuel levies Government used to collect	Medium–High
Geopolitical tensions: external supply disruption	A 10.0% increase in import costs would result in an additional import bill of approximately US$1.1554 billion, raising total imports to US$12.7091 billion, assuming unchanged import volumes. This represents an illustrative external-sector cost, not a direct fiscal loss.	Disruption of supply chains, higher freight and insurance costs, imported inflation, increased foreign-currency requirements and weaker export receipts.	Although direct trade exposure to conflict zones may be limited, indirect effects through fuel and transport costs, commodity prices and global demand could increase fiscal pressures in 2027. Higher import costs could also raise Government expenditure requirements and constrain revenue collections.	Medium–High

Source: MOF, 2026

Mitigation Measures

23. To mitigate the risks, the Government has adopted a six-pillar drought mitigation plan aimed at strengthening preparedness, limiting the economic and fiscal effects of drought, and protecting vulnerable households and productive sectors. The plan provides for enhanced strategic grain reserves; accelerated climate-smart agricultural production; an integrated financing architecture for timely and coordinated response; targeted livestock drought-mitigation measures; strengthened import planning and institutional coordination; and improved early-warning systems, supported by capacity building.

24. As part of the Strategy, Government has already acquired grain stocks amounting to 365 000 tonnes at end of October 2026 with a target increase the stocks to 600 000 tonnes by 2027. In addition, Government has subscribed to the Africa Risk Capacity Sovereign Insurance Policy at a premium of US$3.4 million with a

maximum payout of US$12.8 million. This will be complemented by replica policies by development partners. Further, Government is carrying forward fiscal buffers which will be utilised to mitigate against drought.

25. Therefore, in the event of a shock, vulnerable groups will be protected through targeted social protection by increasing budgetary support from ZiG28.2 billion to ZiG30.9 billion and prioritisation of essential spending. Budget provision will be required for grain imports and emergency food assistance, as well as continued support towards irrigation, climate resilience, drought preparedness and energy diversification to reduce vulnerability to agricultural shocks.

26. Government will also continue monitoring and strengthening revenue forecasting to identify potential shortfalls arising from weaker economic activity. Expenditure will be prioritised towards essential services and productive sectors, while rationalisation and corrective fiscal measures will be implemented where necessary to safeguard the Budget's fiscal objectives.

27. The Government policy of cash budgeting inherently aligns expenditure commitments with available revenue, therefore, in the event of adverse economic shocks, Government will prioritise non-escapable expenditures and protection of the vulnerable citizens from hunger.

28. Debt and cash management will be strengthened to minimise reliance on costly domestic borrowing. Improved financing planning, prioritisation of lower-cost financing where available, and regular monitoring of interest rates, exchange rate developments and debt refinancing requirements will help contain debt-servicing costs and exchange rate exposure.

29. Export diversification and mineral beneficiation will be intensified to broaden the revenue base and reduce exposure to commodity-price volatility. Regular monitoring of international mineral prices, production levels and mining-related revenue collections will support revenue forecasting and timely fiscal adjustments.

30. International oil prices, geopolitical developments and external supply disruptions will be monitored to assess their implications for fuel imports, transport costs and imported input prices. Improved procurement

planning, expenditure prioritisation and energy-efficiency measures will be pursued to help contain the fiscal impact of higher fuel prices and supply disruptions.

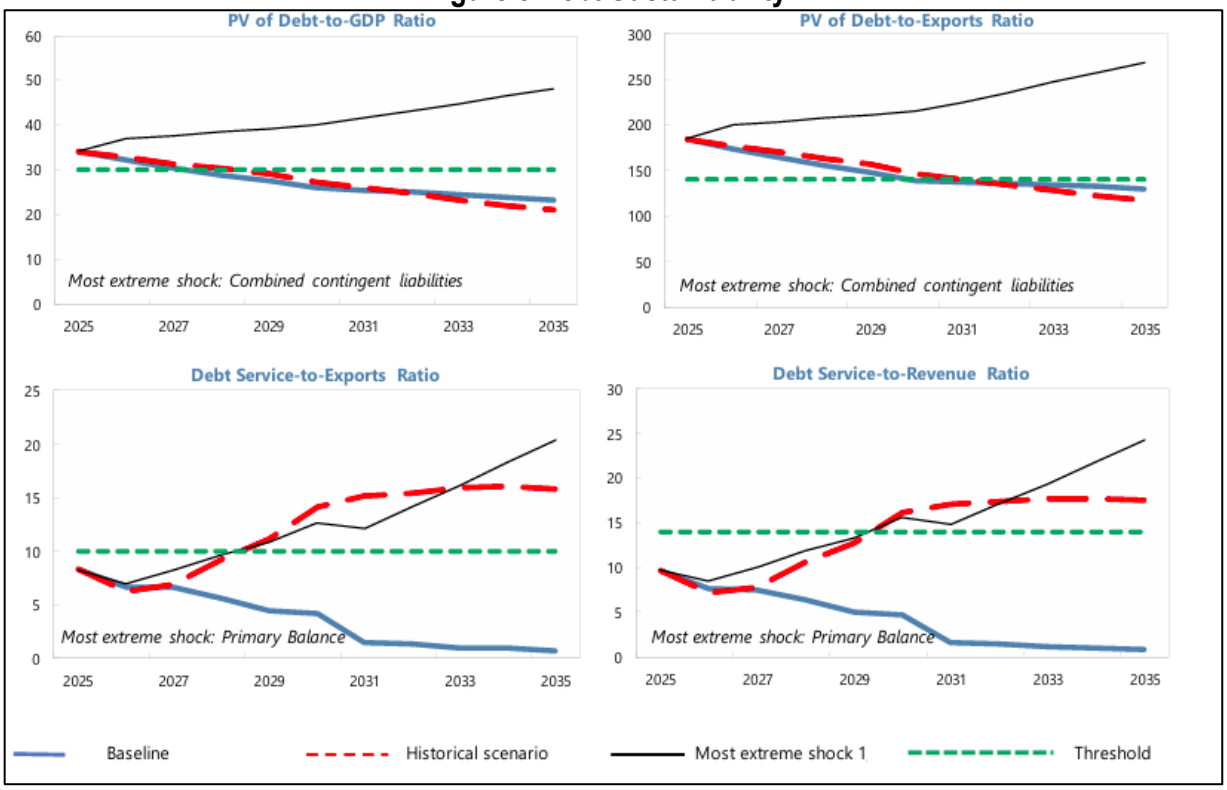
OTHER RISKS

31. Specific risks arise from contractual commitments or other circumstances that may have a material impact on the fiscal position. These risks include public debt, contingent liabilities, PPPs, pension obligations, SOEs, legal claims and climate-related obligations.

Public Debt Sustainability

32. Under the baseline scenario, overall public debt remains above the benchmark and assessed to be in distress and unsustainable. Total public debt (both domestic and external) is projected to remain elevated in the medium term. The liquidity indicator on overall public debt such as the debt service-to-revenue ratio, is also elevated due to the impact of continuous high-cost, short-term domestic financing. The stress tests of the combined contingent liabilities and the primary balance shocks reflect the most severe impacts and show a worsening debt profile if the risks materialize.

Figure 8:Debt Sustainability



Source: MOF, 2026

Refinancing Risk

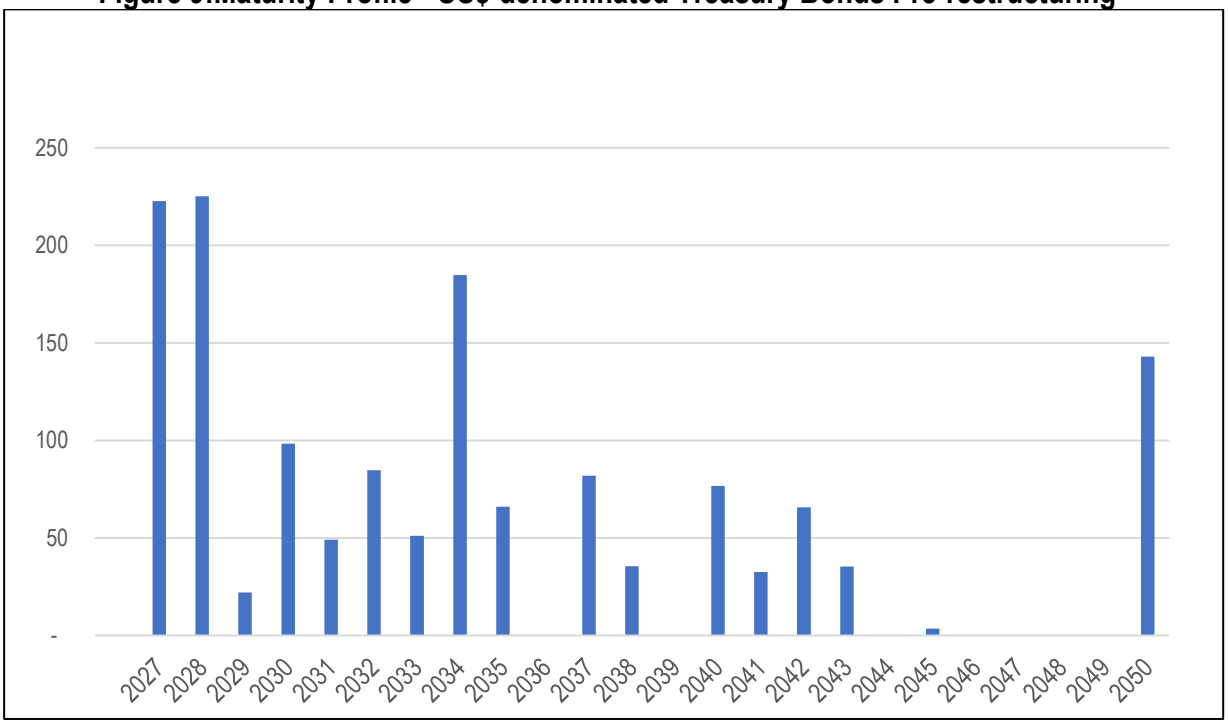
33. . The maturity structure of public debt remains an important source of fiscal risk, particularly where debt repayments are concentrated within short periods. Such concentrations expose Government to refinancing and liquidity pressures, potentially constraining fiscal space and increasing debt-servicing costs. These risks are particularly pronounced where substantial debt obligations fall due within a short period against limited fiscal resources.

34. Figure 12 presents the maturity profile of outstanding US dollar-denominated Treasury bonds before restructuring, covering the period 2027 to 2050, with total repayment obligations projected at US$1.5 billion. Debt maturities are expected to be concentrated in the earlier years, with approximately US$447.7 million, representing 30% of the total obligations, falling due between 2027 and 2028. Annual repayments are projected to peak at US$225.1 million in 2028, compared to a projection of US$222.6 million in 2027. Thereafter, repayment obligations are expected to decline but remain unevenly distributed, with a notable maturity of US$184.7 million in 2034 and a final repayment of US$142.9 million in 2050.

35. The concentration of repayments in the near term is expected to exert pressure on Government's cash flows and increase refinancing and liquidity risks, particularly against competing expenditure priorities and limited fiscal space. These obligations relate to Treasury bonds issued in 2015, 2021 and 2023 to assume legacy debt liabilities from the Reserve Bank of Zimbabwe.

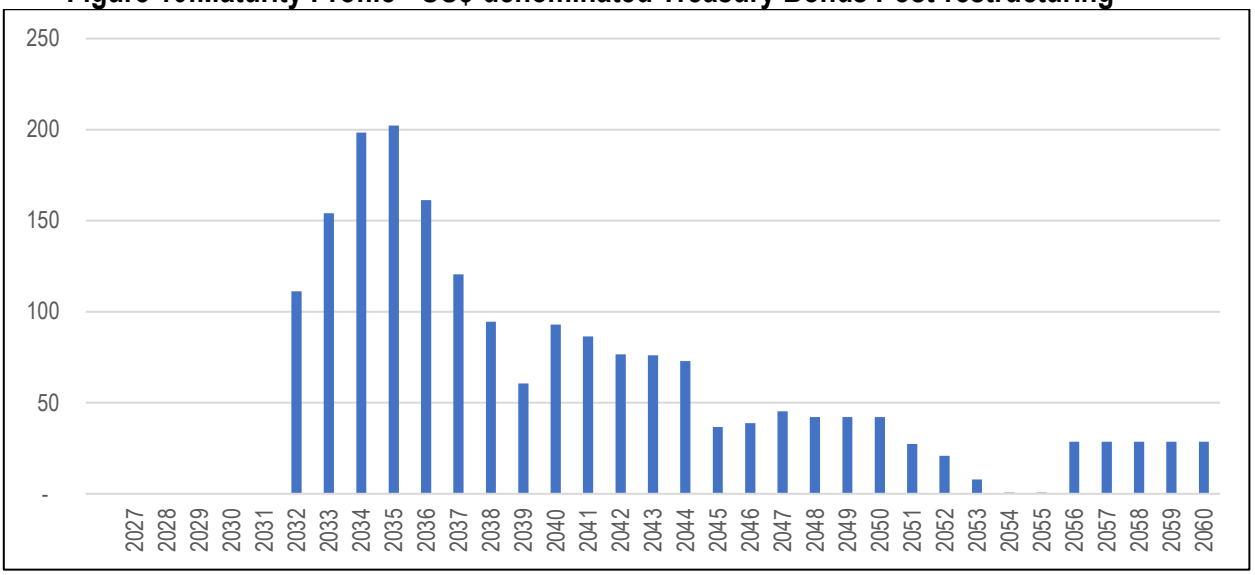
36. Figures 12 and 13 illustrate the maturity profiles before and after restructuring, respectively. Meanwhile, the ZiG-denominated debt portfolio remains predominantly short-term, with the entire portfolio scheduled to mature within two years. This concentration of maturities presents additional refinancing and liquidity risks, underscoring the importance of lengthening debt maturities and maintaining a sustainable redemption profile.

Figure 9:Maturity Profile - US$-denominated Treasury Bonds Pre-restructuring



Source: MOF, 2026

Figure 10:Maturity Profile - US$-denominated Treasury Bonds Post-restructuring



Source: MOF, 2026

Mitigation Measures

37. Already, Treasury has undertaken the reprofiling process of outstanding US dollar-denominated Treasury bonds and some external multilateral and bilateral creditors as part of broader liability management measures aimed at smoothing the debt maturity profile, easing near-term financing pressures and aligning future debt-servicing obligations with projected Government cash flows.

38. Furthermore, Government is persuing the Arrears Clearance and Debt Resolution Process through engagement with creditors and development partners, with a view to resolving external debt arrears, restoring debt sustainability and creating conditions for renewed access to affordable external financing.

39. To mitigate risks to debt sustainability, Government is pursuing sustained fiscal consolidation through enhanced domestic revenue mobilisation, strengthened expenditure controls, and improved cash and commitment management. Government borrowing is being guided by a prudent medium-term debt management strategy that prioritises longer-term financing, reduces reliance on costly short-term domestic borrowing, and strengthens the management of refinancing, interest rate and exchange rate risks.

40. Furthermore, Treasury is strengthening the identification, assessment, disclosure and monitoring of contingent liabilities, particularly those arising from State-Owned Enterprises and other public-sector

entities, while enhancing early-warning and intervention mechanisms to minimise their potential impact on public finances.

Government Guarantees

41. Government guarantees constitute an important source of contingent fiscal liabilities, as they expose the fiscus to potential financial obligations in the event that guaranteed borrowers fail to meet their debt-service commitments. As at end-September 2026, Government's outstanding guarantee exposure amounted to US$122.8 million and ZiG2.6 million, comprising performing guarantees of US$120.2 million and non-performing guarantees of US$2.5 million and ZiG2.5 million.

42. While several guaranteed facilities have been fully settled or continue to meet their scheduled repayment obligations, financial difficulties among some borrowers have increased the risk of guarantees being called. These challenges largely stem from weak cash flows, agricultural production shocks, delays in debt recovery and financial distress, which have adversely affected borrowers' capacity to service their obligations.

43. The non-performing guarantees pose fiscal risks, as they may materialise into direct Government liabilities should the underlying borrowers fail to honour their repayment commitments. This could result in unplanned expenditure and financing requirements, exerting pressure on the fiscal balance, constraining fiscal space and increasing public debt and debt-servicing obligations.

Table 3: Guarantees Presenting Elevated Fiscal Risks

Borrower	Reported position	Nature of fiscal risk	Risk level
Blackdombo International	Failed to meet repayments under its restructured facility	Possible guarantee call following default	High
Cicada Katiyo	Under corporate rescue proceedings	Risk of losses if debt recovery is unsuccessful	High
New Africa Agri	Litigation concluded; recovery dependent on property disposal	Delayed recovery and uncertainty over settlement	High
Forest Lodge Flowers	Under liquidation and recovery proceedings	Potential enforcement of the Government guarantee	High
Maize and Soya Farmers	68% recovery reported at December 2025; balance remains outstanding	Possible crystallisation of guarantee exposure	Elevated
Steel Makers	Debt previously called up; borrower servicing revised repayment plan	Risk of renewed default and unsuccessful refinancing	Elevated

Source: MOF, 2026

Mitigation measures

44. In this regard, Government continues to strengthen the monitoring of guaranteed obligations, assess emerging repayment risks and engage relevant borrowers and lending institutions to minimise the likelihood of contingent liabilities materialising into direct fiscal costs.

45. Treasury regularly monitors the beneficiaries' financial performance and guarantees repayment status to ensure early identification, quantification, and mitigation of the resulting fiscal risks. Treasury has adopted a credit scoring assessment model consistent with the Framework for Evaluating, Monitoring and Managing Guaranteed and On-lent Loans, to assess requests for guarantees and on-lent loans through a transparent and objective process.

Public-Private Partnerships (PPPs)

46. Government continues to leverage Public-Private Partnerships (PPPs) to mobilise private sector investment, bridge infrastructure financing gaps and accelerate the implementation of strategic development projects. While PPPs provide opportunities to expand infrastructure investment without relying exclusively on public resources, they also present potential fiscal risks arising from long-term contractual commitments, Government guarantees, revenue-sharing arrangements, termination payments and other contingent liabilities. These obligations may crystallise into direct fiscal costs where project revenues fall below projections, private partners fail to meet contractual obligations or Government is required to provide additional financial support.

47. The Zimbabwe Investment and Development Agency (ZIDA) continue to facilitate the expansion of the National Project Pipeline through the identification and inclusion of strategic investment projects across key sectors of the economy, including energy, transport and infrastructure, manufacturing, mining, agriculture, healthcare, real estate and tourism. Public-Private Partnerships (PPPs) and Government investment remain the principal financing models for projects within the pipeline, with the energy sector accounting for a significant share of PPP investments.

48. While these projects are expected to support infrastructure development and economic growth, they may also give rise to fiscal risks arising from Government guarantees, contingent liabilities and other contractual

obligations. Accordingly, Government continues to strengthen project appraisal, fiscal risk assessment and monitoring to ensure that investment commitments remain consistent with medium-term fiscal sustainability.

Table 4: Summary of the PPP Project Pipeline

Indicator	2025	2026
PPP projects appraised/ in the pipeline	44	33
Estimated project value (US$ billion)	3.63	6.57
Major sectors	Mining, real estate and infrastructure	Energy, mining and transport
Project status	Various appraisal and approval stages	Pipeline at different development stages

Source: MOF, 2026

49. Notwithstanding the potential development benefits, the growing PPP pipeline presents fiscal risks where projects involve Government guarantees, minimum revenue commitments, availability payments, foreign currency obligations or termination compensation. These risks may be heightened by project implementation delays, cost overruns, exchange rate movements, lower-than-projected demand and the financial distress of private partners. In addition, inadequate project preparation and feasibility assessments could result in contractual obligations that exceed Government's medium-term fiscal capacity. The US$6.57 billion pipeline value represents estimated project investment requirements rather than Government's direct fiscal exposure, which depends on the specific contractual commitments and risk-sharing arrangements.

Mitigation Measures

50. To mitigate PPP-related fiscal risks, Government has developed guidelines covering the entire PPP project life cycle, including project identification, preparation, feasibility assessment, appraisal, approval, procurement, implementation, monitoring, evaluation and termination. These guidelines are intended to strengthen project selection, promote transparency, ensure appropriate risk allocation between Government and private partners, and enhance value for money throughout the implementation of PPP arrangements.

51. Government is also strengthening the assessment of PPP-related fiscal commitments and contingent liabilities through rigorous project appraisal, affordability assessments and improved coordination between Treasury, ZIDA and contracting authorities. Particular emphasis is being placed on assessing the potential budgetary implications of Government guarantees, revenue commitments and termination provisions before contractual obligations are undertaken. These measures, together with improved monitoring and disclosure

of PPP commitments, are aimed at containing fiscal risks while supporting sustainable infrastructure development and private sector participation.

State-Owned Enterprises (SOEs)

52. State-Owned Enterprises (SOEs) play a strategic role in Zimbabwe's economic development through infrastructure investment, employment creation and the provision of essential goods and services. However, financial and operational challenges affecting some SOEs continue to pose fiscal risks to Government, particularly through potential requests for financial support, debt assumption, Government guarantees and the accumulation of expenditure arrears.

53. The assessment of selected SOEs based on their 2025 audited financial statements indicates financial vulnerabilities, although the nature and severity of the risks varied across entities. ZESA Holdings exhibited elevated risks across all assessed indicators, with its subsidiaries ZESA Enterprises and ZETDC facing pronounced liquidity constraints and debt-servicing challenges.

54. TelOne, IDCZ and Aurex recorded overall risk ratings of Category 4. TelOne demonstrated relatively stronger profitability indicators but remained exposed to liquidity and debt-servicing risks. IDCZ continued to face profitability and liquidity challenges, while Aurex exhibited significant profitability weaknesses despite a relatively stronger liquidity position. Petrotrade recorded a comparatively lower overall risk rating (Category 3), although liquidity and debt-servicing vulnerabilities remained.

Table 5: SOE Risk Ratings (2025)

	Profitability	Liquidity	Solvency	Overall Risk Rating				
	Return on Assets	Return on Equity	Cost Recovery	Current Ratio	Debtor Turnover Days	Debt to Assets	Debt to EBITDA	
ZETDC	Category 4	Category 4	Category 4	Category 5	Category 5	Category 3	Category 5	Category 5
TelOne	Category 2	Category 1	Category 3	Category 5	Category 5	Category 4	Category 5	Category 4
ZESA Ent	Category 5	Category 5	Category 5	Category 5	Category 5	Category 5	Category 5	Category 5
IDCZ	Category 5	Category 5	Category 5	Category 3	Category 5	Category 2	Category 5	Category 4
Petrotrade	Category 2	Category 2	Category 3	Category 4	Category 1	Category 3	Category 5	Category 3
Aurex	Category 5	Category 5	Category 5	Category 1	Category 1	Category 2	Category 5	Category 4

Source: MOF, 2026

KEY	
Category 5	Higher Risk
Category 4	
Category 3	
Category 2	
Category 1	Lower Risk

55. Overall, the financial assessments indicate that weaknesses in SOEs profitability, liquidity and solvency remain a possible source of contingent fiscal liabilities. Persistent financial distress could result in increased requests for budgetary support, assumption of SOE debt, the calling of Government guarantees and the accumulation of payment arrears. Furthermore, financial difficulties affecting entities operating in strategic sectors, particularly electricity and telecommunications, could disrupt service delivery, increase production costs and adversely affect economic activity and Government revenue.

Mitigation Measures

56. To mitigate fiscal risks arising from State-Owned Enterprises (SOEs), Government continues to implement reforms aimed at strengthening corporate governance, operational efficiency, financial performance and accountability. Under the National Development Strategy 2 (NDS2), these reforms prioritise the restructuring of underperforming entities, rationalisation of operating costs, improved financial reporting and the mobilisation of private sector investment through strategic partnerships. Attention is being given to strengthening oversight of the Mutapa Investment Fund and its subsidiaries, including compliance with Treasury borrowing approval requirements and the timely publication of audited financial statements.

57. In parallel, Treasury is strengthening the identification, assessment and monitoring of fiscal exposures arising from SOEs, particularly Government guarantees, on-lent loans and other contingent liabilities that may crystallise into direct budgetary obligations. This is being supported by regular assessments of SOEs' profitability, liquidity, solvency and debt-servicing capacity to facilitate early identification of financial distress and timely implementation of corrective measures. Furthermore, enhanced disclosure of SOE-related fiscal risks through the Fiscal Risk Statement is improving transparency and supporting prudent management of public resources, while safeguarding fiscal sustainability and the continued delivery of essential public services.

CONCLUSION

58. The 2027 Fiscal Risk Statement highlights the key macroeconomic, debt-related, contingent liability, climate-related and institutional risks that could affect implementation of the 2027 National Budget. While the outlook is anchored on continued macroeconomic stabilisation, prudent fiscal management and structural reforms, it remains exposed to domestic and external shocks, including climate variability, commodity price fluctuations, exchange rate movements and global financing conditions. Elevated public debt obligations, refinancing pressures and contingent liabilities arising from Government guarantees, State-Owned Enterprises and pension commitments could further constrain fiscal space and increase future financing needs.

59. Government is mitigating these risks through enhanced revenue mobilisation, expenditure prioritisation, strengthened commitment controls, prudent debt management and improved oversight of public entities and contingent liabilities. Key interventions include preventing new net domestic expenditure arrears, improving the financial position of State-Owned Enterprises and advancing the Arrears Clearance and Debt Resolution Process. Investments in irrigation, climate-smart agriculture, strategic grain reserves, energy diversification and social protection will further enhance resilience to climate-related shocks. Going forward, Government will strengthen fiscal risk assessment, monitoring and disclosure, supported by improved institutional coordination and adherence to fiscal discipline and commitments under the Staff-Monitored Programme. These efforts will safeguard the credibility of the 2027 National Budget, protect priority development spending and support the implementation of the National Development Strategy 2 towards Vision 2030.

END